Benefit Formula - 2%Multiplier

Initial Consideration

WASHINGTON STATE
Law Enforcement Officers' and Fire Fighters'
Plan 2 Retirement Board

May 25, 2005

Benefit Formula

- Typical DB plan formula
  - Years of Service
  - Average Salary
  - Multiplier

- LEOFF Plan 2
  - 2% × Years of Service × Final Average Salary

Benefit Multiplier

- Commonly stated as single percentage

- Varying multiplier approaches
  – By years of service
  – By date of service
  – By contribution level
  – By type of service

Multiplier in Washington Plans

- LEOFF Plan 2 uses 2%

- All Plan 1 and Plan 2 systems use 2% multiplier

- Plan 3 uses 1% multiplier + DC Account

- Exceptions
  – PERS Plan 1 Elected Official
  – SCERS Disability
  – TRS Plan 1

Multiplier in Other States

- 2004 Workplace Economic Study of
  - "State Police" plans
  - Median multiplier of 2.5%

- 2001 Public Pension Coordinating Council
  - Soc Sec Covered/Average Multiplier = 2.11
  - Non Soc Sec/Average Multiplier = 2.43

Final Average Salary (FAS)

- General salary levels can affect multiplier
  - Higher salary – lower multipliers
  - Lower salary levels – higher multipliers
  - Salary levels higher on West Coast
  - Multipliers lower on the West Coast

Questions?